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Latin America Review

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President Arias has preferred diplomatic to military pressure in pushing Managua toward a more democratic political system. His peace proposal emphasizes this diplomatic approach, but at the same time it offers a number of concessions to the Nicaraguans at the expense of Salvadoran and Honduran security concerns.

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The Salvadoran military has achieved some mild successes during the past year against the rebels in northern Morazan Department, which is used by the guerrillas for training, sanctuary, and as a staging area for infiltration southward.

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Guatemala: The Reemerging Labor Sector

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Newly invigorated labor is largely avoiding confrontations with the military and the business community, its traditional enemies. Disagreement over economic policies and concern that the ruling Christian Democrats are attempting to control the union movement, however, may encourage labor militancy.

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Latin America**Review**

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Articles**Costa Rica: Neutral and Nervous
About Nicaragua**

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Although highly critical of the Sandinistas, Costa Rican President Arias has preferred diplomatic to military pressure in pushing Managua toward a more democratic political system. He has prohibited rebel military activity in Costa Rican territory and placed new restrictions on insurgent political leaders as well. His peace proposal—which, in our opinion, is designed to enhance San Jose's international image—offers a number of concessions to gain Sandinista acceptance at the expense of Salvadoran and Honduran security concerns. He is likely to continue to distance himself from US policy in the region.

firm position in the Contadora negotiations that a treaty must guarantee democratic reform in Nicaragua. He has attempted to reinvigorate efforts to reach a political settlement with his own peace initiative, which focuses on democracy for Nicaragua.

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The Sandinistas, angered by Arias's criticism, have attempted to pressure San Jose to accept a bilateral agreement and halt Nicaraguan rebel activity in Costa Rica. Last July, Nicaragua lodged a suit against Costa Rica and Honduras in the International Court of Justice (ICJ), charging both countries with allowing the insurgents to operate from their territories. San Jose and Tegucigalpa retaliated by pledging not to participate in any negotiations with Managua—including the Contadora talks—until the ICJ suit is dropped.

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On taking office last May, Arias inherited the dilemma of dealing with the Sandinista regime in Managua. Lacking a professional army and with his security forces numbering only 8,000 poorly equipped and trained men, Arias has been intent on avoiding either a confrontation with his more powerful neighbor or a spillover of the fighting into Costa Rica. His concern is that the activities of anti-Sandinista groups in Costa Rican territory might provoke Nicaraguan retaliation. At the same time,

Arias believes that moving the Sandinistas toward democracy is essential to restoring peace to Central America. His task has been made more difficult by the desire to remain on good terms with the United States—San Jose's main trading partner and aid donor—while demonstrating independence from Washington to protect Costa Rica's international image.

Arias, according to US Embassy reporting, is concerned that recent allegations that the United States has used an airstrip in northern Costa Rica to resupply the rebels inside Nicaragua have strengthened Managua's ICJ suit and left him open to charges that he is a pawn of the United States. Arias has tried to limit the political damage by denying he approved the use of the airfield or was pressured by Washington to change his policy toward the Contras.

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San Jose has said it will lodge a strong protest if the charge that the United States used the airstrip is confirmed.

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No Friend of the Sandinistas

Arias has no illusions about the nature of the Sandinista regime but favors a political solution to the Nicaraguan problem. Committed to the idea of a multilateral, negotiated agreement, he has taken a

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Attitude Toward the Contras

Despite Managua's accusations that San Jose has abetted US policy in the region, Arias, in fact, has placed little faith in and given no support to the armed insurgent effort. US Embassy reporting indicates that, while Arias concedes the insurgent war may provide leverage in pressing Managua to reform its political system, he does not believe the rebels can topple the Sandinistas even with US military aid. Arias publicly has maintained that US support for the rebels is counterproductive, as it provides an excuse for Managua to maintain tight internal controls and undermines the search for a political solution. Arias reiterated his unconditional opposition to any further aid for the Contras in conversations with US Congressmen last month, according to the Embassy. The President believes increased insurgent activity will encourage greater Sandinista aggressiveness on the border, swell the flood of refugees, and discourage much-needed foreign investment, further straining the beleaguered Costa Rican economy. [REDACTED]

Afraid of provoking Managua, concerned with enhancing its neutral image and pessimistic about Contra prospects, San Jose has toughened its stance against indiscreet anti-Sandinista activity in Costa Rica. The Embassy reports that the Arias administration has moved sharply and with maximum publicity since July to curb cross-border firing from Costa Rica and has shut down clandestine Contra medical clinics; several government officials found to be collaborating with the insurgents have been dismissed. Costa Rica's stricter policy also includes greater aggressiveness in detaining Contra combatants. Although the Ministry of Public Security in the past often released anti-Sandinistas after a short detention, [REDACTED] San Jose is now holding rebels to persuade the United States to move those arrested to third countries. [REDACTED]

San Jose also has restricted Nicaraguan political opposition activity within Costa Rica. In the wake of the controversy over US arms sales to Iran and the shakeup in the anti-Sandinistas' political leadership, Arias has prohibited meetings of the Unified Nicaraguan Opposition (UNO) in Costa Rica and threatened to expel UNO leaders if they begin handling military finances for the Contras. We

believe this move was at least in part a response to a Nicaraguan communique in the Costa Rican press warning that San Jose's allowance of such activity by UNO would be a violation of neutrality certain to affect the ICJ ruling. [REDACTED]

Arias also has taken advantage of recent developments to try to increase his influence with the Unified Nicaraguan Opposition. While the President has met on many occasions with key UNO leaders residing in San Jose—including Alfonso Robelo—Embassy reporting indicates he has favored Southern Opposition Bloc leader Alfredo Cesar, who has a left-of-center political orientation. Arias appears to favor Cesar's bid for a more influential role in an expanded UNO directorate. [REDACTED]

Pushing his Peace Plan

With the Contadora talks stalled and the fighting inside Nicaragua escalating, Arias is counting on his plan to lead to renewed negotiations, according to Embassy reporting. Arias has offered significant concessions to Managua in order to gain Sandinista support for the plan:

- He has capitulated on his pledge not to negotiate with Nicaragua until the ICJ suit is dropped.
- His proposal does not insist on a dialogue between Managua and the Contras.
- The plan prohibits regional support to the rebels—which would preclude US aid—but does not require Nicaragua to hold a new national election.
- There is no explicit provision for regulating military advisers. [REDACTED]

By making his plan more acceptable to the Sandinistas, however, Arias has made it more difficult for the other Central American countries to support it. Embassy reporting indicates that El Salvador and Honduras are troubled by the plan's failure to demand a dialogue with the Contras, to restrain Nicaragua's military buildup, or to differentiate between the Salvadoran and Nicaraguan

Costa Rica's Peace Proposal

President Arias's plan calls for the phased introduction of provisions. Immediately following signature:

- *All external aid to insurgents in the region is to end.*
- *Dialogues between governments and unarmed internal opposition groups are to begin.*
- *Insurgents and governments are to declare a cease-fire.*

In the second stage, within 60 days:

- *Governments are to declare amnesties for insurgents and political prisoners.*
- *Negotiations are to begin on arms limits.*

Over a six-month period, governments are to take steps to democratize, including the adoption of plans to hold free elections for a Central American Parliament by mid-1988. The UN and OAS Secretaries General, and the Contadora mediators and support group are to verify compliance.

[REDACTED]

insurgencies. They also want tougher language on democratic reform in Nicaragua. Honduran and Salvadoran concerns that the proposal compromises their security interests were largely responsible for the failure of the Central American democracies to reach an agreement when they met in February to consider the plan. [REDACTED]

The Contadora group has endorsed Arias's efforts, but he is resisting Contadora mediation for fear it will weaken the initiative. Although he publicly says his initiative is complementary to Contadora efforts, [REDACTED]

Arias recognizes he will not gain Mexican support for the plan because Mexico, a key player in the Contadora efforts, fears it will lose influence in any peace efforts if the activity is outside the context of the Contadora talks. Nevertheless, Arias said he will not allow his plan to be considered within the context of the Contadora process. Arias probably fears that such a move would allow some participants to shift

the focus away from democracy and significantly weaken the Central American democracies' influence in shaping the plan. [REDACTED]

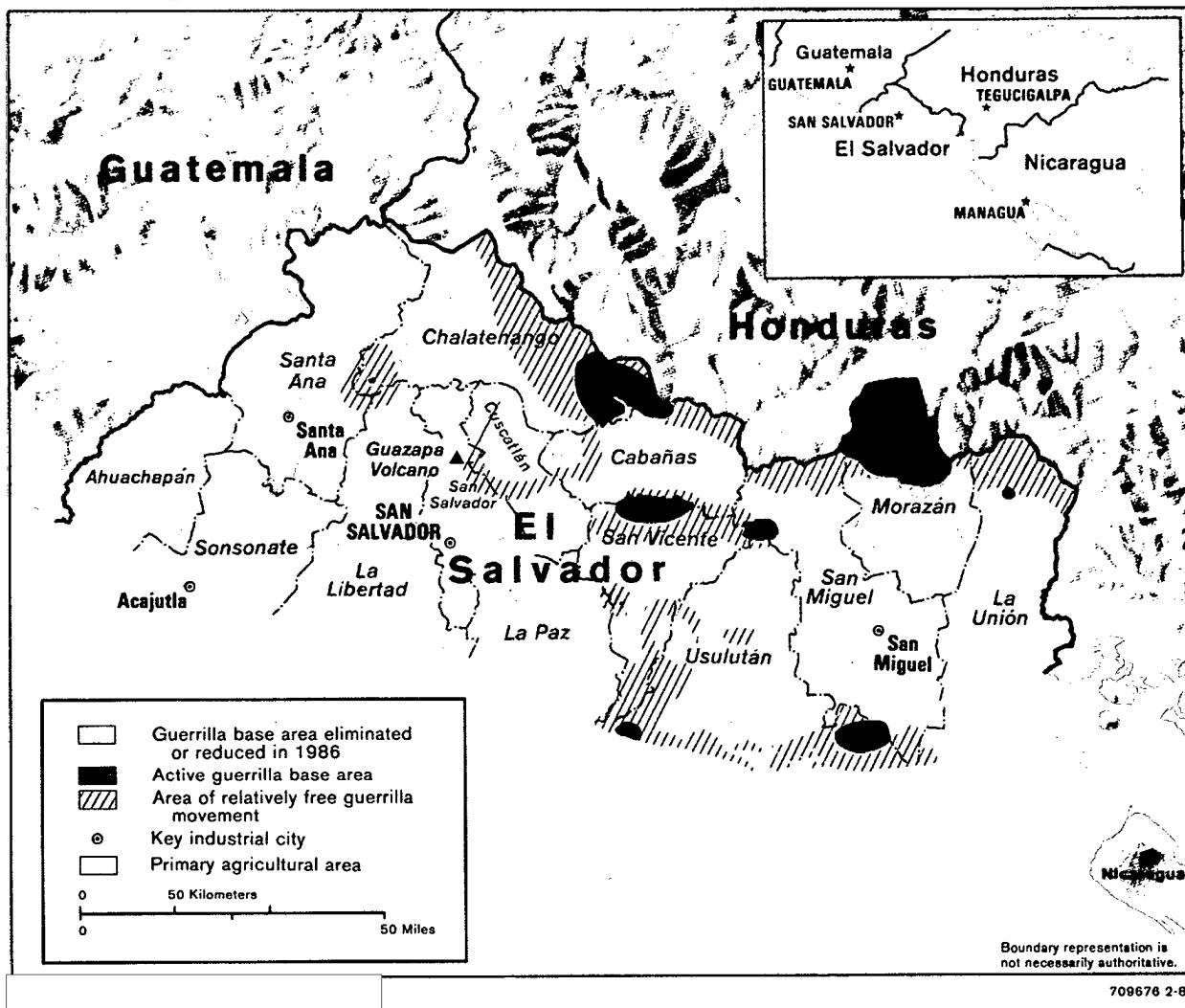
Although Arias says his proposal can be improved, we believe he is more intent on fashioning a document that will enhance his country's neutral image and win regional support than one that will win Sandinista compliance and definitive progress toward democratization. [REDACTED]

Outlook

Arias probably is willing to modify his proposal to satisfy some objections of the other democracies—tightening security provisions, for example. He will be intent on keeping the document acceptable to Managua, however, and is unlikely to agree to a provision mandating dialogue between the Sandinistas and the armed opposition. [REDACTED]

Arias believes his plan has bolstered Costa Rica's international image. He probably will continue to criticize US policy in the region—particularly aid to the Contras—and almost certainly will continue to forbid anti-Sandinista military activity on Costa Rican territory. In addition, he is likely to keep a tight rein on UNO's dealings. [REDACTED]

Guerrilla Operating Areas



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El Salvador: The War in Northern Morazan

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The Salvadoran military has achieved some mild successes during the past year against the rebels in northern Morazan Department, which is used by the guerrillas for training, sanctuary, and as a staging area for infiltration southward. The Army has opted for small-scale operations—intended to keep the rebels off-balance and limit their movement—and civic action projects to secure the support of the civilian population. With most of its forces committed to more critical areas, the government is unlikely to expend major resources in an effort to uproot the guerrillas from Morazan this year.

Although hard pressed by government forces in much of the country, the guerrillas have free rein in most of northern Morazan Department, a sparsely populated, 180-square-mile area extending north from the Torola River to the Honduran border. According to US Embassy reporting, the 900 to 1,200 Marxist rebels in the area—most of whom belong to the People's Revolutionary Army, the largest and most aggressive insurgent faction—maintain a network of base camps, training facilities, and arms caches. The town of Perquin is their unofficial capital.

northern Morazan is a principal rebel staging area for infiltration to the more populous and economically important southeast and serves as a base from which the rebels can dispatch reinforcements to beleaguered zones elsewhere in the country.

The government maintains a limited administrative and military presence in the area, which has little strategic or economic value to San Salvador. Only some 2,000 troops are garrisoned in all of Morazan Department, according to US Embassy reports; most are south of the Torola River and are preoccupied with the defense of more important targets there.

Both sides are competing to cultivate popular support. Despite San Salvador's inability to provide adequate protection for the local population, the military's limited civic action programs—providing medical

care, musical entertainment, and free haircuts, for example—have increased progovernment sentiment. The local commander, Colonel Vargas, is one of the most aggressive proponents of civic action in the military.

Government efforts also have been aided by the rebels' use of coercion against the local population, although the guerrillas have recently adopted less repressive tactics to attract refugees back into the region, thus strengthening the insurgency's local support network.

Keeping the Rebels Off-Balance

Embassy and periodic Army operations are not intended to seize and hold territory, which would spread government forces too thin, but rather to harass the guerrillas and prevent them from expanding their activities farther south. Government sweeps usually involve several battalions of troops—often including elite units from elsewhere in the country—backed by artillery and airpower. In addition, the military routinely deploys small patrols into the area to set ambushes and collect intelligence.

Typically, the Army encounters little resistance. Recognizing the military's greater firepower, most insurgents usually move into disputed territory along the Honduran border, leaving behind only a token force to sow mines and mount ambushes, according to the defense attache. The mines slow government sweeps and are the cause of most military casualties in northern Morazan. Rebel tactics have caused the Army to emphasize small-unit search and destroy missions during the sweeps.

that the military was achieving particularly good results using heliborne assaults against guerrilla targets pinpointed by intelligence sources.

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The military's edge in mobility, however, is partially neutralized by harsh conditions in the area. The rugged volcanic terrain and scarcity of roads force troops into slow, arduous advances on foot. Guerrilla sabotage of bridges over the Torola River further impairs mobility. [REDACTED]

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particularly when heavy summer rains make the river too high and too fast to ford. Frequent bad weather and heavy winds in the highlands north of the Torola River make helicopter flights hazardous, limiting close air support, airmobile operations, and resupply. Last June, lightning struck two infantry squads and caused 14 casualties, according to the attache. [REDACTED]

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Political sensitivities over disputed territory along the Honduran border also have constrained operations in northern Morazan. Anxious to avoid any incidents that might aggravate relations with Tegucigalpa, San Salvador is hesitant to deploy forces large enough to block guerrilla escape routes into Honduras,

[REDACTED] Coordinating actions with Honduran authorities is time-consuming and frequently compromises impending operations, and joint efforts to trap Salvadoran rebels have so far had only modest results. [REDACTED]

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Outlook

The Army, preoccupied with more vital areas of the country, is unlikely to mount a major sustained campaign in northern Morazan this year. Periodic sweeps probably will not threaten the guerrillas' hold on the area but could disrupt any plans for intensifying the war south of the Torola River. The level of fighting is likely to remain low as both sides seek to avoid high casualties. [REDACTED]

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Nicaragua: Deteriorating Health Care

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Despite some early achievements and substantial foreign assistance, the Sandinista regime has found it increasingly difficult to provide adequate health care to Nicaragua's 3 million citizens. Increasing government expenditures for defense and a faltering economy have necessitated cutbacks in medical services, and the trend is unlikely to be reversed soon.

Early Gains

New health services and public health campaigns in the early years of the Sandinista regime brought about some improvements in medical care. [redacted] a nationwide campaign in 1981 treated 70 percent of the population against malaria. Between 1982 and 1984, some 4 million vaccinations for various diseases were given each year. No polio cases have been reported since 1982, and malaria has decreased by 50 percent. By 1983, infant mortality had dropped to 80 per 1,000, down from some 100 per 1,000 before 1979. Average life expectancy has increased from 56 to 59 years.

Foreign assistance from both Soviet Bloc and Western sources became critical to the regime's health effort. Cuba was at the core of the Sandinista rural health program in the early 1980s. As of December 1983, according to the Ministry of Public Health, some 766 Cuban medical personnel were working in Nicaragua. The US Embassy reported that Bulgaria, Czechoslovakia, and Hungary donated supplies for the Nicaraguan Red Cross, funding for the modernization of a Leon pharmaceutical laboratory, and more than \$33,000 worth of medicines.

In 1982, the USSR built the Soviet-Nicaraguan Friendship Hospital in Chinandega. It is staffed by some 37 Soviet medical personnel and claimed to have treated more than 350,000 patients as of its fourth anniversary. The Karl Marx Hospital, opened in Managua in 1985 by East Germany, estimated its total patients at 100,000 by the end of 1986. In 1984,

a US solidarity group shipped 160 tons of medical supplies, including hospital beds, an electrocardiograph machine, and \$45,000 worth of medical textbooks, according to press reports. In late 1985 Nicaragua also received aid from Great Britain, France, Switzerland, and Spain among others, toward the construction of medical centers.

Subsequent Losses

The regime's early achievements have been undermined by the diversion of government funds to the military and the deterioration of the economy. By 1986, [redacted] military expenditures accounted for more than 60 percent of the Nicaraguan budget. Nicaraguan Health Minister Tellez recently conceded that increased treatment of war casualties had slowed progress in delivering health care to civilians, according to press reports. Furthermore, [redacted] one of the primary objectives of the regime's national health plan for 1986 was to assure levels of health adequate to maintain the fighting abilities of the military.

Worsening economic conditions have resulted in shortages of pharmaceuticals, medical equipment, and qualified physicians. [redacted] pharmaceutical production was seriously disrupted early last year by a lack of imported raw materials. Although the Health Ministry listed 250 basic medicines—obtained from Panama, Mexico, and Spain—that should be available at pharmacies throughout the country, most are in short supply. Most surgical, radiological, physical therapy, and pediatric equipment is either obsolete or nonexistent. [redacted] Patients in most public hospitals reportedly are forced to share beds and medical supplies. Meanwhile, more than half

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the 1,000 doctors practicing in 1979 have left
Nicaragua. [REDACTED]

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Health care in Nicaragua is becoming too expensive
for the average citizen. The well-to-do prefer to seek
treatment from private practitioners but often
complain they overcharge; visits cost an average of
8,000 cordobas—a week's wages for most
Nicaraguans. [REDACTED]

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Outlook

The decline in medical care is unlikely to be reversed
in the short term. Deterioration of the economy and
diversion of resources to the war will limit government
expenditures for health and other social services, and
the steady exodus of private physicians is almost
certain to continue. Foreign assistance undoubtedly
will remain essential to maintaining minimal levels of
treatment. [REDACTED]

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Guatemala: The Reemerging Labor Sector [REDACTED]

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The strength and influence of the Guatemalan labor movement have been growing since the election of a civilian President last year. No serious unrest has occurred so far, thanks to the efforts of labor leaders and President Cerezo to avoid confrontation. Disagreement over economic policies and concern that the ruling Christian Democrats are attempting to control the union movement, however, may encourage labor militancy and thereby heighten the fears of the military and the business community, organized labor's traditional enemies. [REDACTED]

Bolstered by the election of Cerezo and the enactment of a new Constitution that allows greater freedom to organize and strike—particularly for government employees—the labor movement has become an important interest group competing for the attention of the government. Even though only 10 percent of the working population is organized, US Embassy reporting indicates that labor's concerns increasingly are becoming a barometer of broader popular dissatisfaction with the economy. [REDACTED]

The major benefactor is the country's largest labor confederation, the moderate Confederation of Syndicalist Unity (CUSG). Claiming more than 135,000 members representing some 60 percent of organized workers, CUSG is perceived by the private sector and the government to be the premier spokesman for the working class, according to the Embassy. CUSG's size and status have greatly overshadowed Guatemala's two other active labor confederations—the leftist Union of Guatemalan Workers (UNSITRAGUA) and the Christian Democratic Coordinating Committee of Guatemalan Workers (CGT), each claiming up to 12,000 members. [REDACTED]

CUSG is trying to take advantage of public dissatisfaction with the sagging economy to unify the labor movement and thus strengthen its leadership role and that of its chief, Juan Francisco Alfaro. The Embassy reports that CUSG has negotiated an

agreement to cooperate on national issues with UNSITRAGUA, with which it shares concerns about rising food prices and electricity rates, and agrarian reform. Alfaro's efforts to reach a similar agreement with the progovernment CGT have been largely unsuccessful. [REDACTED]

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Avoiding Confrontation

Despite its growing strength, labor has been hesitant to flex its muscles and anxious to safeguard its recent gains and prove to the military, private business, and the government that it can play a constructive role. The Embassy says that CUSG has, until recently, shunned association with other labor groups. Alfaro, for example, kept CUSG out of May Day demonstrations last year—the first in Guatemala since 1980—because he feared a violent confrontation between more radical, leftist unions and the government. [REDACTED]

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Labor leaders also want to avoid a repetition of the severe repression directed against them during previous military regimes. The Embassy reports that some fear that four attacks on CUSG organizers in the last seven months may portend a new wave of persecution. [REDACTED]

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Cerezo's tendency to compromise and seek consensus has contributed to labor's moderate stance. Since taking office, the President has been careful to keep labor leaders informed of his economic plans and to solicit their input before implementing new policies, according to the Embassy. In our opinion, the desire of both sides for accommodation has helped prevent rising prices and declining living standards from provoking serious disturbances. [REDACTED]

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Despite their traditional hostility toward the union movement, the business community and the military have adopted a wait-and-see attitude. According to Embassy reporting, many businesses boosted employee wages following the enactment of the government's economic package last June, although labor leaders have charged that some promised increases were not granted. The military was generally pleased with the behavior of organized labor in demonstrations last year, [redacted]

[redacted] both the military and the business community are worried that continued economic stagnation and growing labor militancy could result in strikes or large-scale protests that the government might not be capable of controlling. [redacted]

Divisive Issues

The absence of significant rancor does not indicate that labor completely supports Cerezo's agenda. Although the President consulted with labor leaders on the economic stabilization program before it was implemented last June, CUSG responded with calls for higher wages, tax reform to improve income distribution, and government assistance for small farmers and artisans, according to Embassy reporting. Moreover, some labor leaders are concerned that Cerezo is trying to subvert the union movement. Both CUSG and UNSITRAGUA have accused the government of using its resources to promote the Christian Democratic CGT at their expense—an accusation that has some merit, according to the Embassy. The two confederations also allege that the government is intentionally impeding their organizational efforts. Embassy reporting indicates that the government has indeed been slow to process new labor union applications—even those of the CGT. [redacted]

The prospect of continued economic decline almost certainly will feed labor opposition to government policies. [redacted] the unity agreement between CUSG and UNSITRAGUA is likely to spawn new attempts to organize joint demonstrations protesting the high cost of living. CUSG, meanwhile, has stated that it will respond to any increase in taxes on the working class with

demands for an 18-percent wage hike for both government and privately employed workers, according to Embassy reporting. [redacted]

Land reform, which labor supports, also is likely to become a source of contention. With half the labor force working in agriculture, CUSG's recruiting efforts are likely to result in competition with the government for popular support in the countryside. We believe CUSG will attempt to strengthen its position by demanding to be included in the government's land-reform initiatives. Embassy reporting indicates, meanwhile, that CUSG is exploring joint agrarian projects with the private sector, which is hoping to head off radical land reform. [redacted]

Efforts by the government to promote its own labor organization and the delays in certifying new unions will continue to cloud government-labor relations. While it is unclear exactly what plans the Christian Democrats have for labor, the controversy about the government's attempt to control the union movement is likely to become increasingly acrimonious as CUSG and the CGT compete to organize government workers. [redacted]

Cooperation between CUSG and UNSITRAGUA has raised fears in the government, the military, and the private sector about the potential for increased leftist influence and Alfaro's ability to preserve his own position, according to Embassy [redacted]

Many military officers are concerned that the labor movement will be infiltrated and subverted by the insurgents and exiled leftists returning to Guatemala. [redacted]

Outlook

Although Guatemala will not be immune to strikes or job actions, both Cerezo and organized labor appear unwilling to risk a major confrontation at this time.

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Labor leaders will continue to temper their actions because they want to avoid a backlash from the military or the extreme right. Uncertainty about the government's plans for labor and factionalism within the union movement also are likely to limit CUSG's ability to organize an effective coalition. Including the Christian Democratic CTG in any broad front, for example, seems unlikely because of suspicions that it is an organ of the government. Meanwhile, Cerezo's desire to avoid conflict with labor while trying to turn the economy around will probably make him more willing to enact measures to gain the support of unionized workers. As a result, organized labor may gain greater influence in forming national economic policies. [REDACTED]

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In our view, the government's handling of the economy and its response to any labor unrest will largely determine the size and scope of demonstrations or strikes and the left's ability to make inroads in the organized labor sector. Another year of poor economic performance—including high inflation and deteriorating living standards—could compel labor confederations to pursue a more confrontational approach. Inability of the government to control protests, or its overreaction to them, could improve the left's chances of capitalizing on the discord and diminish Alfaro's moderating influence in CUSG. [REDACTED]

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Widespread labor protests or growing leftist influence would fan concerns of the military and the business community. Although we believe the recent assaults on CUSG leaders probably were isolated incidents and do not represent a concerted campaign of antilabor violence by Guatemalan security services or the extreme right, the military is unlikely to tolerate prolonged or violent demonstrations. Such unrest or evidence of leftist sponsorship probably would cause the military to reassume some police duties, increasing the risk of a backlash against the labor movement. [REDACTED]

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Latin America Brief

Colombia**Debt Policy Under Pressure**

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The Colombian Government is concerned that declining world coffee prices may abort its economic recovery. Finance Minister Gaviria has stated publicly that reserves, at about \$3 billion, are adequate to sustain an economic growth of 4 to 5 percent this year, and that Colombia will service its \$13.5 billion foreign debt as long as commercial banks keep their credit lines open. Nevertheless, business and political opposition leaders are pressing President Barco to review his debt policy. A contributing factor to the pessimism is the failure last month of Colombia's initial efforts at the World Bank and the Inter-American Development Bank to seek \$3 billion in new development loans from international creditors. The apparent reason for the rejection was that the request, coming on the heels of Brazil's unilateral debt moratorium, was ill-timed. Barco may approach the consultative group of international creditors that meets in Paris in June. He has already requested congressional approval to increase Colombia's foreign debt obligations by \$5 billion during 1987-90.

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